



DONALD L. WOLFE, Director

COUNTY OF LOS ANGELES

DEPARTMENT OF PUBLIC WORKS

"To Enrich Lives Through Effective and Caring Service"

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IN REPLY PLEASE

REFER TO FILE: **PJ-2**

January 16, 2007

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

**SENATE BILL 1953 SEISMIC RETROFIT PROJECT
OLIVE VIEW-UCLA MEDICAL CENTER
AWARD CONSTRUCTION CONTRACT
AWARD SUPPLEMENTAL AGREEMENT
APPROVE REVISED PROJECT BUDGET
SPECS. 6569; C.P. 86537
SUPERVISORIAL DISTRICT 5
3 VOTES**

**JOINT RECOMMENDATION WITH THE CHIEF ADMINISTRATIVE OFFICER AND
THE DIRECTOR OF HEALTH SERVICES THAT YOUR BOARD:**

1. Find that Perera Construction and Design, Inc. (Perera), is the apparent lowest responsible bidder; and award a Construction Contract to Perera in the amount of \$15,102,601 for the Senate Bill (SB) 1953 Seismic Retrofit project at Olive View-UCLA Medical Center, funded by net County cost, commercial paper, and long-term financing, subject to the satisfactory and timely completion by the contractor of a baseline construction schedule for the project and receipt by Public Works of acceptable and approved Faith Performance and Labor and Materials Bonds and insurance certificates filed by contractor.
2. Delegate to the Director of Public Works the authority to determine, in accordance with the applicable Contract and bid documents, whether the

contractor has satisfied the above conditions for Contract award; authorize the Director to execute the Construction Contract, in the form previously approved by County Counsel, with Perera; and to establish the effective Contract date.

3. Award and authorize the Director of Public Works to execute Supplemental Agreement 2 to Contract PW-12480 with URS Corporation for the amount of \$1,183,000 to provide additional construction management and inspection services during construction.
4. Approve the revised project budget of \$27,464,000 as detailed in Enclosure A.

PURPOSE/JUSTIFICATION OF THE RECOMMENDED ACTIONS

Approving the recommended actions will allow Public Works to proceed with construction of the seismic retrofit of Olive View-UCLA Medical Center to comply with the requirements of SB 1953.

Construction Contract

We are recommending that your Board award a Contract for the seismic retrofit of Olive View-UCLA Medical Center to Perera, the lowest responsive and responsible bidder, in an amount not to exceed \$15,102,601.

On August 15, 2006, your Board approved a list of two prequalified general contractors, McCarthy Building Companies, Inc., and Perera, and authorized advertising for construction bids. On November 2, 2006, Perera submitted the sole bid for the project. The original construction cost based on the fair market estimate for the project was \$11,257,000. Perera's total bid is \$15,112,601 including \$13,590,000 for the base bid (inclusive of \$10,000 for the development of the baseline construction schedule), \$508,401 for Additive Alternate Number One and \$1,014,200 for Additive Alternate Number Two. Perera's Bid is approximately 34 percent higher than the estimate. Following receipt of the bid, Public Works conducted a detailed analysis of the bid breakdown and concluded that the increase is consistent with current industry conditions for hospital construction in California.

As we have previously reported to your Board, there is presently a large volume of hospital renovation and new construction throughout California in part because of the Statewide mandate for seismic upgrades. Hospital projects are technically demanding and require highly experienced contractors and subcontractors. Retrofit of an operating

hospital facility, such as Olive View, has added difficulty, risk, and uncertainty factors that can significantly impact the bid outcome. Throughout the industry, these market conditions have resulted in higher cost escalation than anticipated and very little competition on technically demanding projects. Therefore, after reviewing the bid results, we have concluded that the bid received reflects current market conditions, and we do not believe that a more favorable outcome could be achieved by recompeting. The recommended award would be subject to the satisfactory and timely completion by the contractor of a baseline construction schedule for the project and receipt by Public Works of acceptable and approved Faithful Performance and Labor and Materials Bonds and insurance certificates filed by the contractor.

Supplemental Agreement

On November 21, 2001, your Board authorized Public Works to execute a Contract with URS Corporation for a not-to-exceed fee of \$15,142,000 to provide project/construction management services for the seismic retrofit of four of the County's medical centers, including Olive View.

The proposed \$1,183,000 Supplemental Agreement results from several factors. The original staffing plan anticipated that URS staff would be replaced toward the end of construction by County staff. Additionally, in order to minimize impacts on critical hospital areas, a second shift staff position will be added to supervise the construction retrofit activities performed during off hours. Finally, the supplement also includes URS providing construction inspection services for both the inspector of record and deputy inspection services required by the OSHPD. We originally planned to contract separately for these services.

Total Revised Project Budget

Your Board has previously approved an overall total project budget of \$23,514,000. Based upon the construction bid and other adjustments needed to reflect the actual and anticipated costs, we are recommending that your Board approve a \$3,950,000 increase to the total project budget. A detail of the recommended adjustments is provided in Enclosure A.

Implementation of Strategic Plan Goals

These actions are consistent with the County Strategic Plan Goals of Service Excellence and Children and Families' Well-Being by investing in public health infrastructure to enhance the safety of the patients and staff.

FISCAL IMPACT/FINANCING

As a result of the bid received, the revised construction budget is \$4,213,000 higher than was previously approved by your Board. The revised total project budget, including construction, plans and specifications, jurisdictional agency review, consultant services, miscellaneous expenditures, and County services, is currently estimated at \$27,464,000, which is \$3,950,000 more than the previously approved budget.

The additional services requested from URS result in the need for a \$3,173,000 increase for project and construction management services on the Olive View Medical Center project. However, we intend to reallocate \$1,990,000 within the existing URS Contract from High Desert Hospital, which is no longer part of the Senate Bill 1953 program, resulting in this \$1,183,000 Supplemental Agreement.

Sufficient appropriation is available in the Fiscal Year 2006-07 Capital Projects Budget to fund the recommended Agreements.

The design and preconstruction phases are funded from a combination of net County cost and commercial paper. The construction phase will be funded through the issuance of long-term, tax-exempt bonds.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

As requested by your Board on August 12, 1997, and as a threshold requirement for consideration for Contract award, Perera is willing to consider Greater Avenues for Independence Program participants for future employment.

Perera and URS are in compliance with Los Angeles County Code Chapter 2.200 (Child Support Compliance Program) and Chapter 2.203 (Contractor Employee Jury Services Program).

Standard Contracts, in the form previously approved by County Counsel, will be used. The Board-directed clauses that provide for Contract termination, renegotiation, and hiring qualified, displaced County employees will be included.

As required by your Board, language has been incorporated into the project specifications stating that the contractor shall notify its employees, and shall require each subcontractor to notify its employees, that they may be eligible for the Federal Earned Income Credit under the Federal income tax laws.

The project specifications contains provisions requiring the contractor to report solicitations of improper consideration by County employees and allowing the County to terminate the Contract if it is found that Perera offered or gave improper consideration to County employees.

To ensure that the Contract is awarded to a responsible contractor with a satisfactory history of performance, the bidder was required to report violations of the False Claims Act, their civil litigation history, and information regarding prior criminal convictions.

ENVIRONMENTAL DOCUMENTATION

On April 18, 2006, your Board found the project to be categorically exempt under the California Environmental Quality Act.

CONTRACTING PROCESS

On April 18, 2006, your Board approved the selection criteria to be used in determining prequalified bidders, adopted preliminary plans and specifications, and authorized the advertising of Request for Statement of Qualifications that began on April 19, 2006. On August 15, 2006, your Board approved the list of prequalified contractors, adopted final plans and specifications, and authorized Public Works to request bids from the prequalified list of contractors. Perera submitted the sole bid for the project on November 2, 2006, with a bid of \$15,112,601. In consultation with County Counsel, we have determined that accepting the lowest responsive and responsible bid from a single bidder is legally permissible under these circumstances.

Perera has offered to participate in a partnered value engineering process with the County to explore methods for reducing the project cost. Upon execution of the Construction Contract, Public Works intends to conduct a value engineering process with Perera, the architectural/engineering design team, and its other consultants, as well as the Chief Administrative Office and Health Services. We will report the results to your Board at the end of the process.

On November 21, 2001, your Board awarded an Agreement to URS for a \$15,142,000 not-to-exceed fee to provide project/construction management services for the SB 1953 seismic retrofit projects at Harbor-UCLA, Olive View, Martin Luther King, and High Desert Medical Centers. On December 15, 2003, Public Works executed Supplemental Agreement 1 with no change in the Contract amount. URS has agreed to provide additional construction management and regular and deputy inspection services for an additional \$1,183,000 not-to-exceed fee. The recommended Supplemental Agreement 2 will increase the value of Contract PW-12480 to \$16,325,000.

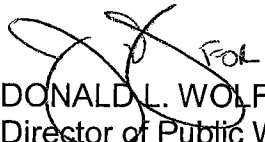
IMPACT ON CURRENT SERVICES (OR PROJECTS)

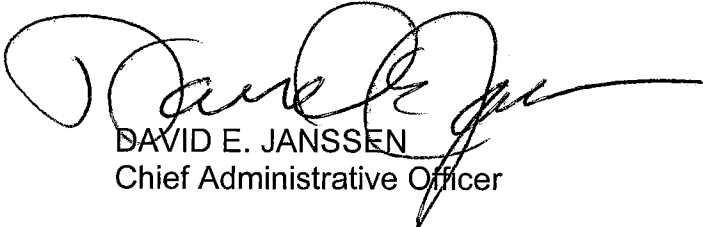
Approval of these actions will have no impact on current services or projects. During the seismic retrofit construction, disruption and temporary relocation of services within the Olive View-UCLA Medical Center is anticipated. However, Public Works and Health Services have developed detailed construction phasing plans and move management strategies to minimize the impact on services.

CONCLUSION

Please return an adopted copy of this letter to the Chief Administrative Office (Capital Projects Division), Health Services, and Public Works.

Respectfully submitted,


DONALD L. WOLFE
Director of Public Works


DAVID E. JANSSEN
Chief Administrative Officer


BRUCE A. CHERNOF, M.D.
Director and Chief Medical Officer

GBB:njc

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Enc.

cc: County Counsel
Treasurer and Tax Collector

January 16, 2007

ENCLOSURE A

**SENATE BILL 1953 SEISMIC RETROFIT PROJECT
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I. PROJECT SCHEDULE

Project Activity	Board-Approved Schedule	Revised Schedule
Project Needs Assessment	12/31/00	12/31/00*
Project Feasibility	12/31/00	12/31/00*
Project Program	12/31/00	12/31/00*
Design		
Design Services Contract Execution	02/06/02	02/06/02*
Construction Document Submittal	02/19/04	02/19/04*
Jurisdictional Approval	01/25/05	01/25/05*
Construction Bid	09/21/06	11/02/06*
Construction		
Substantial Completion	07/09/08**	12/11/08**
Acceptance	09/07/08	12/13/09

* Actual completion date.

** The SB 1953 January 1, 2008, deadline will not be met pending the completion of the Olive View-UCLA Emergency Services Expansion and Tuberculosis Unit and the Psychiatric Emergency Unit Expansion projects, which are scheduled for 2009 and 2010 completion, respectively. We applied for a deadline extension from the Office of Statewide Health Planning and Development in December 2006.

II. PROJECT BUDGET

Budget Category	Board-Approved Project Budget	Impact of this Action	Revised Project Budget
Land Acquisition	\$ 0	\$ 0	\$ 0
Construction			
(a) Estimated Construction Cost	\$11,257,000	\$4,213,000	\$15,470,000 ¹
(b) Change Order Allowance	<u>2,722,000</u>	<u>0</u>	<u>2,722,000</u>
Subtotal	\$13,979,000	\$4,213,000	\$18,192,000
Equipment	\$ 0	\$ 0	\$ 0
Plans and Specifications	\$ 2,148,000	\$ 0	\$ 2,148,000
Consultant Services			
(a) Project/Construction Management Services	\$ 5,984,000	\$ 0	\$ 5,984,000 ²
Jurisdictional Review, Permits, and Fees	\$ 263,000	\$ 36,000	\$ 299,000
County Services	\$ 1,119,000	\$ (327,000)	\$ 792,000
Miscellaneous Expenditures	\$ 21,000	\$ 28,000	\$ 49,000
TOTAL	\$23,514,000	\$3,950,000	\$27,464,000³

¹ Includes amount of recommended Contract with Perera as well as various site preparation activities.

² The funding for the recommended Supplemental Agreement of \$1,183,000 for URS Corporation was already included in the Board-approved budget. This action will award the Supplemental Agreement only.

³ As a result of the bid received, the revised construction budget is \$4,213,000 higher than was previously approved by your Board. Additionally, a net reduction of \$263,000 from the previously approved budget is due to revised estimates for jurisdictional review/permits/fees, County services, and other miscellaneous expenditures. The net increase of \$3,950,000 would revise the total project budget to \$27,464,000.